

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 EB-07 L-02 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00

CIEP-01 FRB-03 OMB-01 /045 R

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EB/FTD - W. MIMS

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

INFO AMEMBASSY TOKYO PRIORITY

AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY MANILA

C O N F I D E N T I A L STATE 016964

E.O. 11652:GDS

TAGS: ETRD, KS, RP, TH, TW, JA

SUBJECT: COTTON CONTRACT PROBLEM

REFERENCE: (A) TAIPEI 00327

(B) SEOUL 00328

MANILA PASS JOE WILLIAMS

1. ON JANUARY 23 A REPRESENTATIVE OF THE AMERICAN COTTON SHIPPERS' ASSOCIATION (ACSA) INFORMED US THAT ACCORDING TO A REPORT BY THE TAIWAN AGENT OF ONE ITS MEMBER FIRMS, THE RECENT YEUTTER/HUME DISCUSSIONS WITH GROC OFFICIALS RESULTED IN GROC PROPOSAL OF THE FOLLOWING PLAN.

2. CONTINGENT UPON EXTENSION OF 50-60 MILLION DOLS. OF CCC CREDIT BY THE USG: (1) L/C'S WOULD BE OPENED BY THE A BANK OF TAIWAN UPON DOWN PAYMENT BY THE MILLS OF 10 PER-
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CENT OF THE VALUE OF THE OUTSTANDING CONTRACTS; (2) ALL

COTTON IMPORTED INTO THE ROC WOULD BE STORED BY THE GROC IN BONDED WAREHOUSES; (3) THE GROC WOULD RELEASE COTTON TO THE MILLS AT A PRICE OF 0.40 DOLS. PER POUND WITH THE CONTRACT COST EXCEEDING THIS AMOUNT TO BE REPAYED BY THE MILLS IN TWO ANNUAL INSTALLMENTS, ONE AND TWO YEARS AFTER TAKING DELIVERY OF THE COTTON; (4) FAILURE TO ABIDE BY THIS PLAN WOULD RESULT IN GROC SUSPENSION OF THE MILLS'

IMPORT AND/OR EXPORT LICENSES.

3. IN A RELATED DEVELOPMENT, WE NOTE THE JANUARY 15 CHINA POST REPORT THAT THE GROC NEGOTIATED THE PURCHASE OF 16,000 BALES OF COLUMBIAN COTTON FOR DELIVERY IN CY 1975 DURING THE VISIT OF MINISTER OF ECONOMIC AFFAIRS Y.S. SUN TO COLUMBIA AT THE END OF LAST YEAR. THE ARTICLE STATES THAT 8,000 BALES WILL BE PURCHASED BEFORE THE END OF MARCH WITH SPECIAL LOAN FUNDS PROVIDED BY THE CENTRAL BANK. AN ACSA MEMBER FIRM HAS INFORMED US OF ITS CONCERN ABOUT THIS AGREEMENT IN VIEW OF ITS LONG-STANDING FEAR THAT DEFAULTING MILLS MAY PURCHASE LESS EXPENSIVE THIRD-COUNTRY COTTON IN LIEU OF HONORING THEIR HIGHER-PRICED US CONTRACTS.

4. WE WOULD APPRECIATE THE EMBASSY'S VERIFYING THE ACCURACY OF BOTH OF THE ABOVE REPORTS.

5. FYI: DEPARTMENT WILL MEET WITH USDA OFFICIALS EARLY NEXT WEEK TO ASSESS RESULTS OF YEUTTER/HUME VISIT TO EA POSTS. GROC AND KOREAN REQUESTS FOR CCC CREDIT WILL BE DISCUSSED. INGERSOLL

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Margaret P. Grafeld
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